



Exchange Rate
Outlook Report

Año 18 – June 2022

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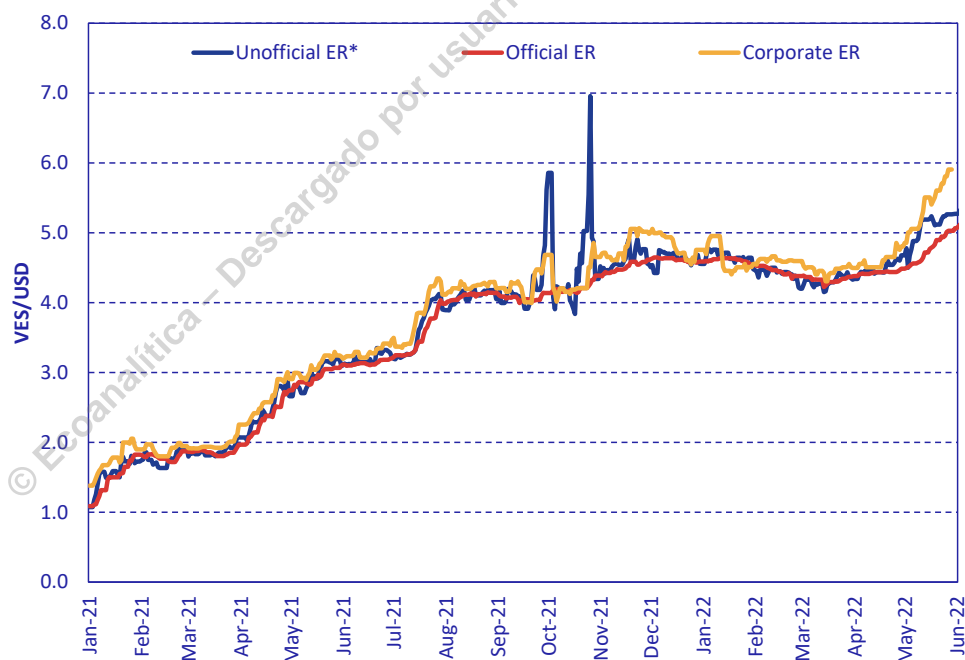
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Analysis of the Venezuelan foreign exchange market

Evolution of the parallel market

At the close of May 2022, the parallel exchange rate closed at VES 5.27/USD, averaging VES 5.07/USD during the month, an increase of 12.6% over the close of the previous month and of 70.5% compared to the same period of 2021. For its part, the corporate¹ exchange rate closed on the same date at VES 5.91/USD, with a monthly average of VES 5.40/USD, and an average premium of 6.6% over the FX retail rate.

Daily exchange rate



* Calculated by the implicit Bitcoin (BTC) exchange rate.
Sources: BCV and Ecoanalítica.

May saw the largest exchange rate depreciation since September 2021. Such increase seems to be due to an expansion of the money supply in real terms and the recent reactivation of credit. Especially the latter factor should be

¹ Exchange rate at which Venezuelan firms trade, normally at a higher price than that observed at retail.

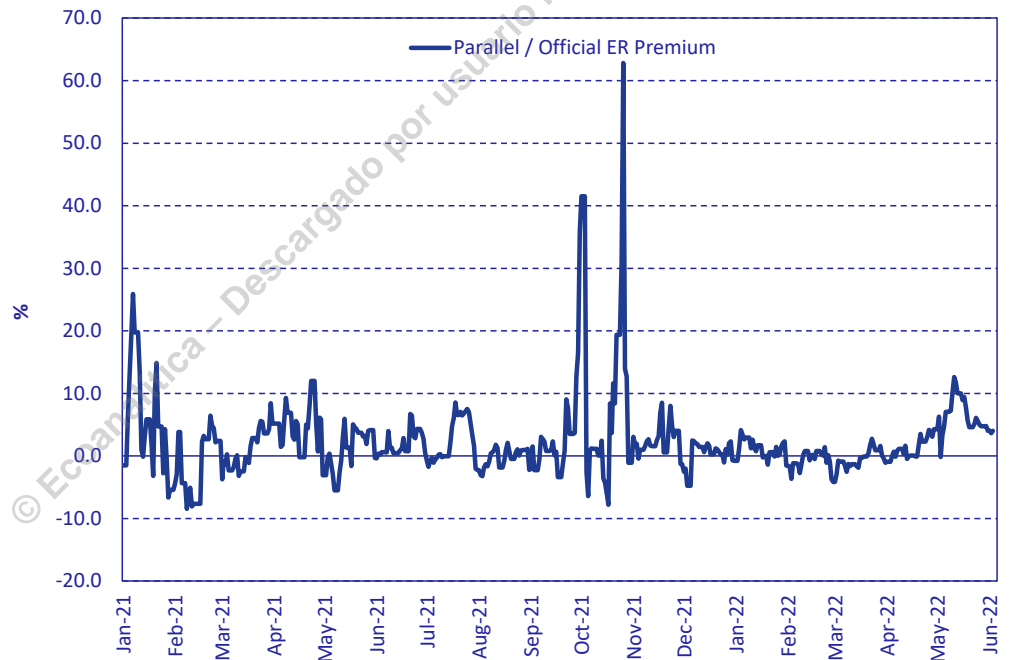


considered, since, when measured in dollars at the official rate through the weekly financial summaries, an increase of 44.7% has been showed at the end of May so far in 2022. Even so, the role of the authorities on the exchange rate market must be considered, as they have supplied the financial system with a greater number of foreign currencies at a higher exchange rate as a way of promoting a relative decrease in the increase in the cost of living in dollars.

The Official exchange rate and BCV interventions

The official exchange rate closed the previous month at VES 5.07/USD, with an average during May of VES 4.76/USD. Thus, the price agreed in the unofficial market remained, on average, 6.5% above the official marker in May 2022, 3.9 percentage points [pp.] higher than the margin observed in 2021 - marking in that year a premium of 2.6% of the parallel exchange rate over the official one.

Parallel and official exchange rate premium

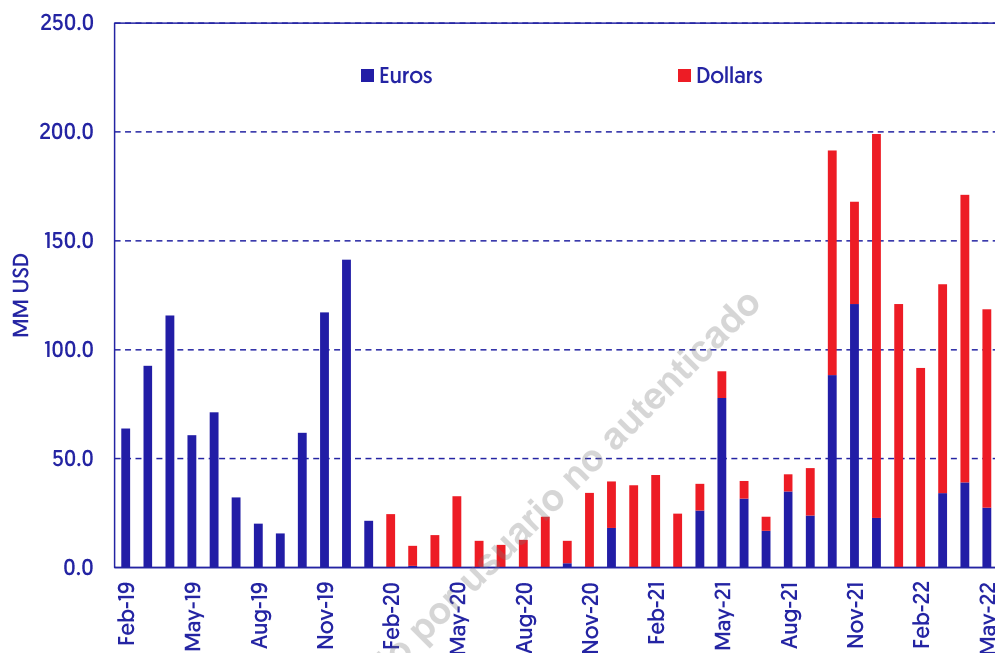


Sources: BCV and Ecoanalítica.

The close relationship between the unofficial and official marker is mainly due to the BCV's foreign currency sales to the financial system. In May, the BCV intervened in the foreign exchange market with USD 118.6 million, 31.6% higher than the sales of the same month of 2021, but 30.7% lower than the amounts of April.



Sale of foreign currency in cash to the financial system



* Euros converted to dollars using the average USD/EUR exchange rate for the month.
Source: Ecoanalítica.

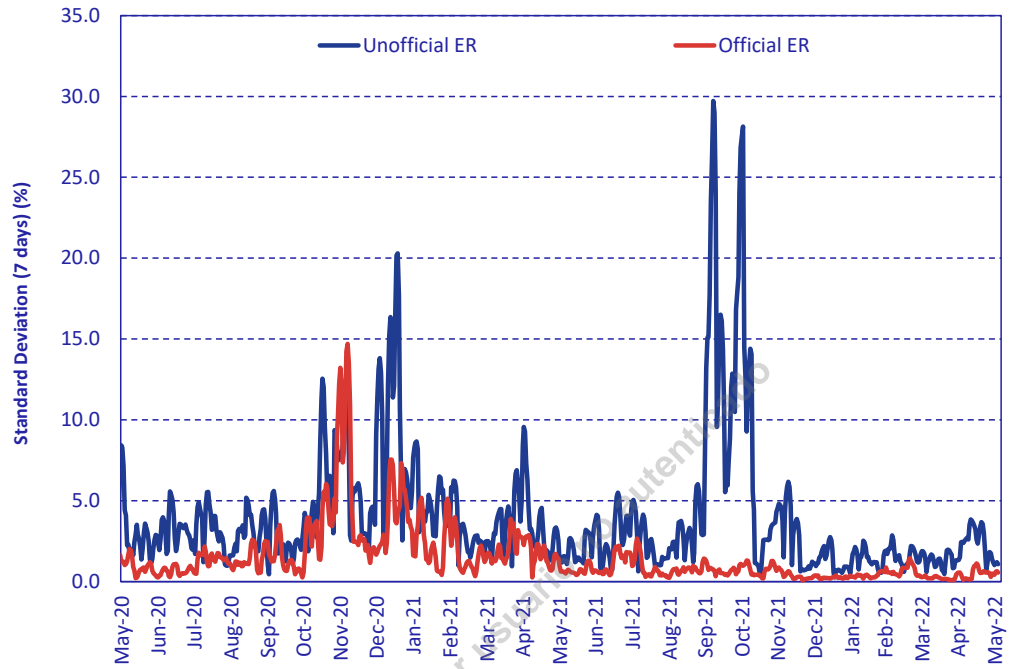
Exchange market volatility.

The volatility² of the parallel exchange rate raised in May, increasing 1.1 pp. with respect to the previous month. On the other hand, the volatility of the official rate in May remained lower than that of the parallel rate, being 2.0 pp. below the latter.

² Standard deviation of the weekly variation of exchange markers.



Daily volatility of exchange rate variation



Sources: BCV, LocalBitcoins and Ecoanalítica.

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Parallel exchange rate projections.

Fundamentals of projections:

Given the technical difficulties in making nominal exchange rate projections in an environment of high inflation, as mentioned in previous reports, Ecoanalítica is currently making adjustments to our predictive model. The results shown in this edition are the result of this adjustment process. Therefore, they present relatively significant changes with respect to the previous edition.

Non official exchange rate forecast

Date	Actual value *	Forecast range					
		Low		Medium		High	
2021M01	1.72	0.36	0.80	1.16	1.52	2.00	2.59
2021M02	1.92	0.94	1.36	1.78	2.43	3.01	3.74
2021M03	2.07	1.00	1.45	1.83	2.22	3.33	4.44
2021M04	2.66	1.67	2.42	2.63	2.83	3.68	4.52
2021M05	3.09	1.78	2.58	3.05	3.53	4.17	4.82
2021M06	3.22	1.93	2.19	3.32	3.85	3.91	3.96
2021M07	3.90	2.12	3.07	3.57	4.08	4.74	5.40
2021M08	4.05	2.27	3.28	3.79	4.29	4.92	5.04
2021M09	5.62	2.58	3.23	3.88	4.54	5.12	5.70
2021M10	4.34	4.36	5.46	5.83	6.21	7.87	9.52
2021M11	4.55	3.23	4.68	5.10	5.52	6.08	7.28
2021M12	4.55	1.80	2.61	4.70	5.75	5.92	6.10
2022M01	4.48	2.67	3.87	4.99	5.07	5.56	6.05
2022M02	4.20	3.02	4.38	5.09	4.77	5.02	5.26
2022M03	4.33	2.76	4.00	4.29	4.58	5.36	6.13
2022M04	4.68	2.48	3.60	4.54	5.08	6.08	7.08
2022M05	5.27	2.75	3.98	4.67	4.97	5.18	5.39
2022M06		2.57	3.73	4.73	5.34	5.68	6.02
2022M07		2.14	3.10	4.36	5.21	5.87	6.52
2022M08		2.22	3.21	4.68	5.74	6.60	7.46
2022M09		2.01	2.91	4.79	6.27	7.40	8.53
2022M10		1.82	2.64	4.62	6.61	8.06	9.51
2022M11		2.55	3.69	6.19	8.63	9.84	11.04
2022M12		3.07	4.45	7.32	8.69	10.08	11.47

* Reconverted figures. End-of-month; otherwise, if indicated.

Sources: BCV, Ecoanalítica and own calculations.



Foreign exchange market indicators.

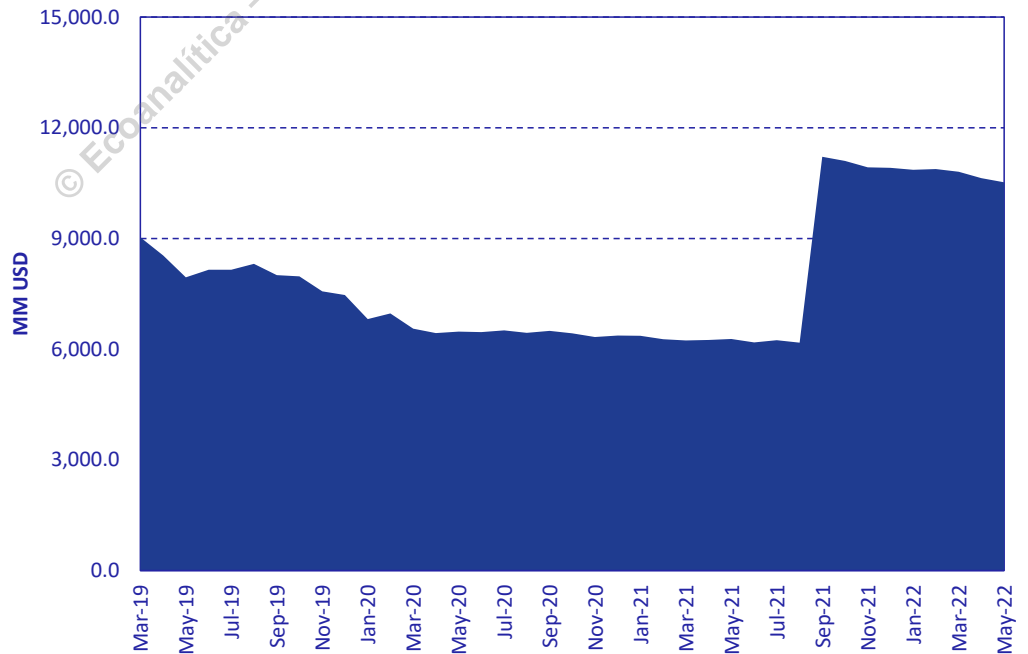
Exchange rate indicators

	May-22	m/m (%)	y/y (%)
M2/IR*	0.8	3.8	181.0
RER**	20.3	8.4	252.3
Money desks ***	4.8	7.2	61.9
WER (Consumers)	5.1	13.3	71.5

* End of month. ** Monthly average (Ecoanalítica). *** Last auction.
Fuentes: BCV, other Central Banks and Ecoanalítica.

Foreign currency availability indicators.

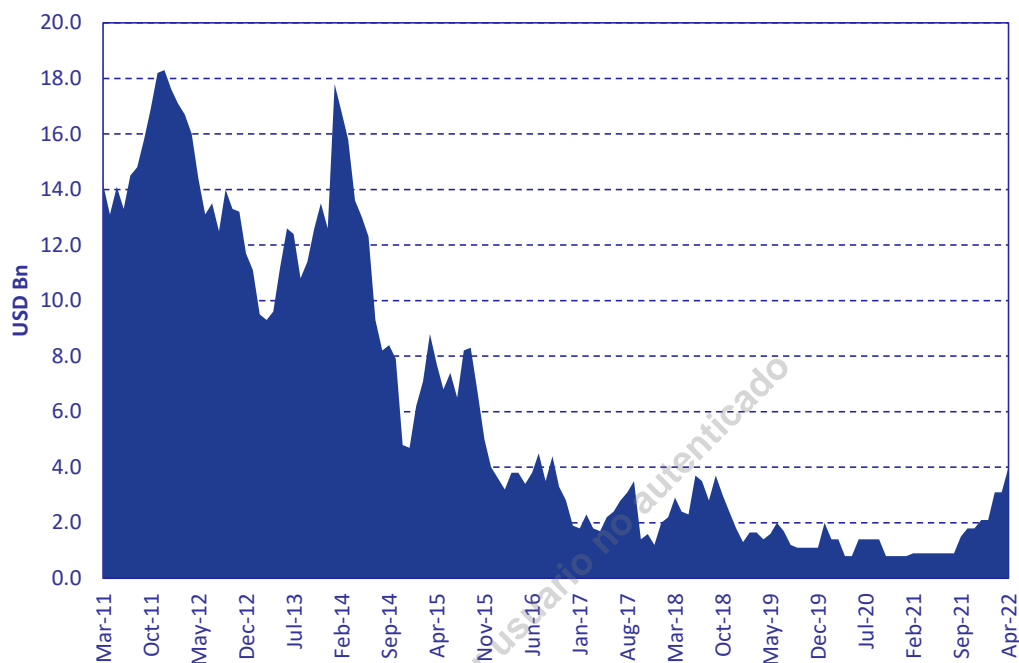
International reserves



Sources: BCV and Ecoanalítica.



Extrabudgetary funds (only the portion in dollars)



Source: Ecoanalítica.

Non-financial Debt with the Private Sector (USD MM).

	2020	1Q2021	2Q2021	3Q2021	2021	1Q2022	y/y (%)	q/q (%)
CADIVI -Non-settled imports	5.1	5.1	5.0	5.0	5.0	5.0	-2.2%	0.0%
CADIVI -Dividends approved and unpaid	0.2	0.2	0.2	0.2	0.2	0.2	-5.1%	-1.1%
CADIVI -Rent and Services*	1.0	1.0	1.0	1.0	1.0	1.0	-1.6%	-0.9%
Mixed Companies - PDVSA partners	9.0	9.7	9.8	9.9	11.0	13.2	35.8%	19.7%
Total	15.3	16.0	16.0	16.1	17.2	19.4	20.9%	12.5%

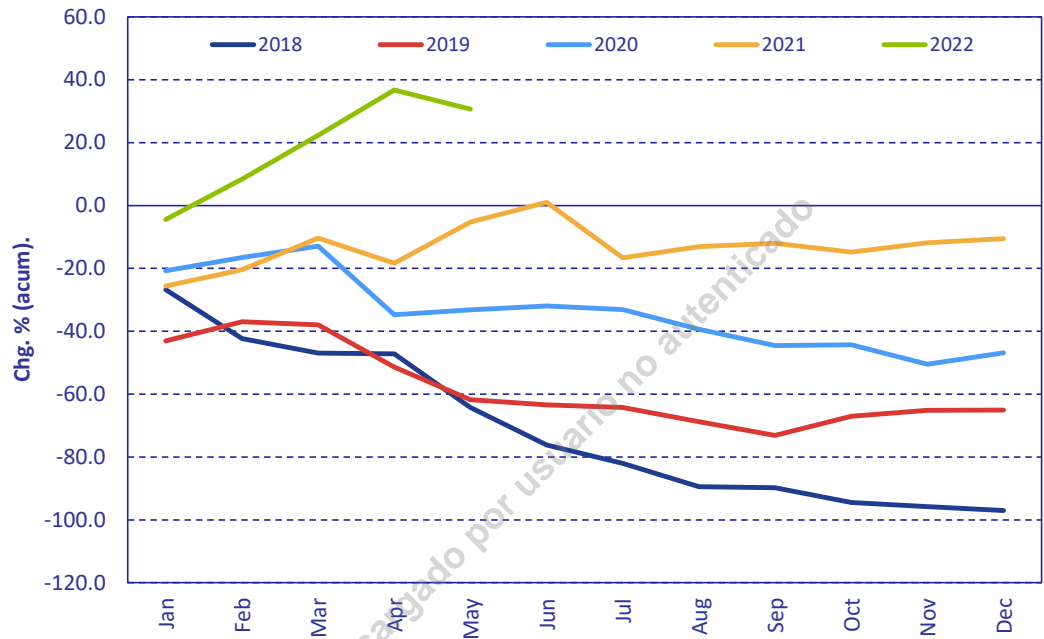
Source: Ecoanalítica.

*Includes debt with airlines.



Monetary Indicators

Real liquidity (M2) expansion



Sources: BCV y Ecoanalítica.





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